

NORFOLK STATE UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2005**



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UNIVERSITY OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 5, 2006

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Dr. Alvin J. Schexnider
Interim President, Norfolk State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **Norfolk State University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1, for the year ended June 30, 2005. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the Department, competence of personnel, and protection of records and equipment.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. The Intercollegiate Athletics Department prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. We requested any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and we were informed that there were no reported internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2005, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.
11. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be reasonable.
12. Based on analytical testing, we deemed revenues from settlement reports and game guarantee agreements for away games to be reasonable. We deemed these revenues to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. The University received contributions from the Mid-Eastern Athletic Conference and the Athletics Foundation of Norfolk State University, an affiliated organization, each of which totals at least ten percent of total contributions. We noted no other individual contribution, which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Based on analytical testing, we deemed revenues from tournaments, conference distributions, and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for detailed testing.
15. Intercollegiate Athletics Department management indicated that there were no agreements related to participation in revenues from broadcast, television, radio, and Internet rights.
16. Intercollegiate Athletics Department management indicated that there were no agreements related to participation in revenues from royalties, advertisements, and sponsorships.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps during the reporting period and found the procedures to be adequate. We deemed these revenues to be immaterial for detailed testing.
18. Based on receipts as listed in the accounting records, we deemed other revenues collected by the intercollegiate athletics program to be immaterial for detailed testing.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
20. Intercollegiate Athletics Department management provided us a listing of University student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as financial aid in the student accounting system.
21. We deemed game guarantee expenses for home games during the reporting period to be immaterial and did not perform detailed testing of these expenses.
22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
23. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. We obtained an understanding of the University's methodology for allocating administrative and facilities support expenses and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
25. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Norfolk State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JS/kva

NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2005

	Administrative and General	Football	Men's Basketball	Women's Basketball	Other Sports	Total
Operating revenues:						
Ticket sales	\$ -	\$ 271,050	\$ 48,228	\$ 6,931	\$ -	\$ 326,209
Student activity fees	2,031,720	1,532,230	595,165	543,539	1,986,125	6,688,779
Game guarantees	-	-	174,234	7,000	1,000	182,234
Contributions	101,899	1,436	33,567	3,893	4,544	145,339
Third party support	8,750	8,750	8,750	8,750	-	35,000
NCAA and conference distributions	175,300	-	-	-	963	176,263
Concessions	16,538				-	16,538
Other income	26,042		675	100	-	26,817
Total operating revenues	2,360,249	1,813,466	860,619	570,213	1,992,632	7,597,179
Operating expenses:						
Financial aid	-	693,510	197,510	187,717	974,251	2,052,988
Game guarantees	-	35,000	-	100	-	35,100
Coaching salaries, benefits, and bonuses paid by the University	-	527,666	265,384	215,878	475,114	1,484,042
Administrative salaries, benefits, and bonuses paid by the University	810,531	28,915	11,060	-	-	850,506
Recruiting	-	18,624	15,180	5,927	5,411	45,142
Travel	23,751	94,647	135,721	50,306	208,182	512,607
Uniforms, supplies, and equipment	303,834	38,526	38,564	2,452	42,777	426,153
Game day expenses	1,320	26,566	15,000	18,000	23,281	84,167
Marketing and promotion	60,555	-	-	-	174	60,729
Direct facilities, maintenance, and rental	957,492	145,186	67,956	48,516	172,693	1,391,843
Other operating expenses	317,505	121,869	66,525	48,342	154,557	708,798
Total operating expenses	2,474,988	1,730,509	812,900	577,238	2,056,440	7,652,075
Excess/(deficiency) of revenues over/(under) operating expenditures	\$ (114,739)	\$ 82,957	\$ 47,719	\$ (7,025)	\$ (63,808)	\$ (54,896)

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

NORFOLK STATE UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF

INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2005

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2005, using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position or changes in cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-program specific."

2. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost and donated capital assets are recorded at the estimated fair market value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	30 years
Other improvements and infrastructure	8-25 years
Equipment	4-20 years

A summary of the various capital asset categories for the year ending June 30, 2005, is presented as follows:

	<u>Ending Balance</u>
Depreciable capital assets:	
Buildings	\$23,475,551
Equipment	26,807
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>23,537,198</u>
Less accumulated depreciation for:	
Buildings	9,206,213
Equipment	18,779
Other improvements	<u>7,162</u>
Total accumulated depreciation	<u>9,232,154</u>
Total capital assets, Net	<u>\$14,305,044</u>

3. CONTRIBUTIONS

The University received \$19,332 from the Mid-Eastern Athletic Conference, which the University uses specifically for athletic scholarships and \$124,207 from the Athletics Foundation of Norfolk State University, each of which totals at least ten percent of total contributions. The amounts received are included in the accompanying schedule as contribution revenue.

4. BONDS PAYABLE

The University issued general revenue pledge bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.

	<u>Interest Rate Percentage</u>	<u>Maturity</u>	<u>Balance at June 30, 2005</u>
Athletic facility:			
Dick Price Stadium Series 1996 (d)	4.550 - 5.375	2018	<u>\$6,725,000</u>

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 380,000	\$ 347,548	\$ 727,548
2007	400,000	329,878	729,878
2008	415,000	310,678	725,678
2009	435,000	290,446	725,446
2010	460,000	269,696	729,696
2011-2015	2,670,000	963,426	3,633,426
2016-2018	<u>1,965,000</u>	<u>215,001</u>	<u>2,180,001</u>
Total	<u>\$6,725,000</u>	<u>\$2,726,673</u>	<u>\$9,451,673</u>

NORFOLK STATE UNIVERSITY

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